



PACIFIC TRANSPORTATION
FEDERAL CREDIT UNION

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Ave, NW
Washington, DC 20551

Docket No R-1404
RIN No 7100 AD63

I want to comment on the Debit Card Interchange Fee proposal.

Whatever decision you make on the proposed fee, the basic premise is faulty. As I understand it, you are only considering the cost to process the actual transaction. I am the Chief Executive Officer of a \$70 million credit union in Los Angeles, CA and before you tell me that we are exempt because our assets are less than \$10 billion, I will tell you that from a practical point of view, we will end up being effected like very large institutions.

You are proposing that only the cost associated with processing the transaction be considered. That would be like telling Dell Computer to only charge for the cost of assembling the computer box and ignoring all the other associated costs.

Long before the debit card is in the person's hand, the card has to be produced. Then the appropriate information has to be imbedded in the magnetic strip. It then has to be either handed to the person or mailed. Then there is the Personal Identification Number (PIN) that is associated with the Debit Card but sent under separate cover. The person does have the option to come into a branch and have the PIN personalized and we have the machine that performs that function. There is a cost associated with the purchase of that machine and then once we have the machine it is of no value until it is programmed to interface with our main core data processing system.

Once the person has possession of the card and PIN, a certain percentage will damage the card. There is a cost to replace the card. Then every two or three years a new card is reissued which again costs money.

There is the issue of fraud. Currently the card holder is only liable for the first \$50.00 of losses. But in practice brought on by competitive pressure, the card holder takes no loss if they claim fraud. Under current Visa and Mastercard rules, the financial institution has no charge back rights except in VERY FEW situations. Then our card processor charges us \$20.00 per line item no matter the amount involved in the charge back.

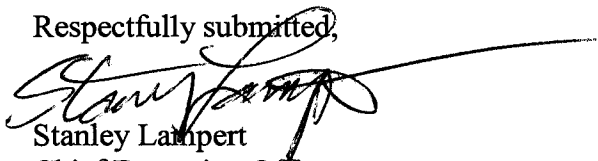


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I want to give you a specific example of the challenge that financial institutions face. The events I describe are true. On Tuesday January 18, 2011, one of our members/customers called in to report a double charge that Wal-Mart put through on their debit card. Our Member Service Representation (MSR) instructed the person to go back to Wal-Mart and ask them to put a credit through for one of the charges. The member resisted asking if she could fill out a dispute and have us process a charge-back. The MSR again instructed the person to contact Wal-Mart and request a credit for the extra charge. The customer asked again if they can put a dispute through explaining that they did not want to go back to Wal-Mart because "they make me bring the receipts in and I have to go through such a hassle". The MSR ended up sending the dispute paperwork for the person to complete. Now look at the cost associated with this one incident. The MSR spent several minutes on the phone. Now she will fax over the dispute paperwork for the person to complete. The person will send it back. Our staff person that handles charge-backs will send it to our network processor. The processor charges us \$20.00 per charge-back line item. All of this for an extra charge that Wal-Mart mistakenly put through. The amount of the charge in question was \$49.50.

How do we recover our cost when the merchant makes an error but makes it difficult for the member/customer to receive a credit.

Respectfully submitted,



Stanley Lampert
Chief Executive Officer